



# Warner Legal Corner

## AUTOMOTIVE LEGAL TOPICS

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2021 was quite a year with ongoing COVID-19 challenges, force majeure declarations, shortages in labor, raw material and components, and price increase demands, volume and release fluctuations and capacity limitations. We also had to navigate shipping bottlenecks, increased costs and inflation. The question on every supplier's mind is whether 2022 will be any better? So far, COVID-19 concerns are not going away and semiconductor shortages are predicted to continue. We continue to see shipping bottlenecks, labor shortages and ongoing pricing pressures leading to a continuation of supply chain challenges.

Warner addressed some of these challenges during our annual OESA Legal Trends presentation on January 25. Below are some key takeaways that auto suppliers can consider.

**Exiting a bad contract.** It is important to be proactive in dealing with difficult customer or supplier relationship, by conducting an "audit" or systems check on your key relationships by reviewing contract terms. Warner can help you ask the right questions to ensure you are protected.

**Force Majeure.** Force majeure events are still happening. However, not every situation that results in supply disruptions, cost increases or other challenges is a force majeure event. It is critical to carefully review your relevant contract provisions. Work with your counsel to ensure you are responding to a force majeure event in the proper way.

**Price increase demands.** Acting promptly, coordinating with your business and legal teams, and carefully controlling how the message is conveyed is important to realizing a successful outcome. If you are involved in a situation where a party has decided not to continue to ship, there are a number of legal options to consider. Warner can help you walk through which option is best for your situation.

Warner stands ready to help automotive suppliers navigate the challenges that will continue into 2022. Feel free to contact any member of our Automotive Group and visit our [blog](#) and [webpage](#) or log onto [www.wnj.com](http://www.wnj.com).

### Workforce

Automotive suppliers have experienced a multitude of workforce challenges due to the affects COVID including workplace lawsuits, many of which stem from the way in which employers handle leave requests, implement workplace safety policies, and implement vaccine policies. Going forward it's important to ensure you are well-versed in federal, state and local leave laws as well as COVID-19 regulatory agency guidance and safety procedures to help insulate you from potential lawsuits. Warner is here to assist when you are in doubt about how to implement your COVID-19 related policies and procedures.

### Distressed Suppliers

The government stimulus has worked its way through the system, however underlying systemic problems in the supply chain are resurfacing. Numerous suppliers are finding that "old" pricing in LTAs is unprofitable and unsustainable, yet obligations are still being enforced. Struggles to meet contractual performance requirements while dealing with unpredictable program schedules are leading to a cash flow crisis for suppliers.

Despite a multitude of challenges, the industry is still going to continue to do well. Nevertheless, suppliers need to be vigilant and proactive as it is cheaper to deal with distress early than pay the big price on the back end. Make sure to stay ahead of your contract renewals, as well as understand the financial health of your supply base. Building an inventory may also help to weather unpredictable starts and stops caused by supply chain uncertainty. Ultimately, Warner can help address early warning signs before a crisis arises.

### Protecting your Confidential Information

The automotive industry utilizes patents and copyrights to protect intellectual property. Trade secrets are also becoming more important in the auto industry as valuation shifts to algorithms and software and controls. It is important to understand how each protection works and follow best practices to ensure your confidential information is protected. Consistently reassess intellectual property procurement and protection strategies, and have a good understanding of what enforcement options and related implications exist. Most important, review your contracts!



**Michael Brady**  
Partner  
[mbrady@wnj.com](mailto:mbrady@wnj.com)  
313.546.6032



**Tom Manganello**  
Partner  
[tmanganello@wnj.com](mailto:tmanganello@wnj.com)  
313.546.6007



**Elaine Taylor**  
Business Development  
[etaylor@wnj.com](mailto:etaylor@wnj.com)  
586.876.4045

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